



November 25, 2014

Mr. William E. Brooks
President
Northwest Beauty School
6770 Antoine Drive
Houston, Texas 77091-1208

Certified Mail
Return Receipt Requested
7014 1200 0001 7275 5170

RE: **Final Program Review Determination**
OPE ID: 04045300
PRCN: 201240627989

Dear Mr. Brooks:

The U.S. Department of Education's (Department's) Dallas School Participation Division issued a program review report on September 4, 2012 covering Northwest Beauty School's (NWBS's) administration of programs authorized by Title IV of the *Higher Education Act of 1965*, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV, HEA programs), for the 2010-2011 and 2011-2012 award years. NWBS's final response was received on July 27, 2013. A copy of the program review report (and related attachments) and NWBS's responses are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by NWBS's upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the *Freedom of Information Act (FOIA)* and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to (1) close the program review, and (2) notify NWBS that one finding has been referred to the Clery Act Compliance Division for further action.

This FPRD contains one or more findings regarding NWBS's failure to comply with the requirements of the *Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act)* in Section 485(f) of the HEA, 20 U.S.C. § 1092(f), and the Department's regulations in 34 C.F.R. §§ 668.41 and 668.46. Since a *Clery Act* finding does not result in a financial liability, such a finding may not be appealed.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the

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findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in *Appendix A*, Student Sample. The appendix was encrypted and sent separately to the institution via e-mail.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under *34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3)*.

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Mr. Michael G. Williams at (214) 661-9517.

Sincerely,

(b)(6)

Cynthia Thornton, Director
Dallas School Participation Division

Enclosures:

Protection of Personally Identifiable Information
Final Program Review Determination Report (and appendices)

cc: Ursula Toby, Financial Aid Administrator
Texas Department of Licensing and Regulation—Cosmetology
National Accrediting Commission of Career Arts and Sciences
Department of Defense (DOD)
Department of Veterans Affairs (VA)
Consumer Financial Protection Bureau (CFPB)

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip and are encrypted with AES encryption.

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for
Northwest Beauty School

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OPE ID: 04045300
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Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division - Dallas

Final Program Review Determination

November 25, 2014

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A. Institutional Information

Northwest Beauty School
6770 Antoine Dr.
Houston, TX 77091

Type: Proprietary

Highest Level of Offering: Non Degree, 1-year

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 155

% of Students Receiving Title IV: 85%

Title IV Participation (PEPS Funding): 2012-2013

Federal Pell Grant Program	\$ 231,520
Federal Direct Loan (DL) Program	\$ 272,177

3-year Default Rate DL:	2011 – 20%
	2010 – 0%
	2009 – 0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Northwest Beauty School (NWBS) from June 18, 2012, to June 22, 2012. The review was conducted by Mr. Michael G. Williams and Dr. Alicia Harris.

The focus of the review was to determine NWBS's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of NWBS's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2010-2011 and 2011-2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning NWBS's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve NWBS of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

Findings 1, 2, 3, 4, 5, 7, 8, 9, and 11

NWBS has taken the corrective actions necessary to resolve findings 1, 2, 3, 4, 5, 7, 8, 9, and 11 of the program review report. Therefore, these findings may be considered closed. See Appendix C containing the institution's written response. Findings requiring further action by NWBS are discussed below.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of NWBS's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on September 4, 2012 is attached as Appendix B.

Finding 6. Drug and Alcohol Abuse Prevention Program Requirements Not Met – Multiple Violations

Citation Summary: Institutions are required to establish a drug prevention program to prevent the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on school premises or as any part of its activities. *34 C.F.R. § 86.3(a)*

An institution of higher education's (IHE) drug prevention program must, at a minimum, include the following:

- (a) The annual distribution in writing to each employee, and to each student who is taking one or more classes for any type of academic credit, except for continuing education units, regardless of the length of the student's program of study, of—
 - (1) Standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on its property or as part of any of its activities;
 - (2) A description of the applicable legal sanctions under local, State, or Federal law for the unlawful possession or distribution of illicit drugs and alcohol;
 - (3) A description of the health risks associated with the use of illicit drugs and the abuse of alcohol;
 - (4) A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to employees or students; and
 - (5) A clear statement that the IHE will impose disciplinary sanctions on students and employees (consistent with local, State, and Federal law), and a description of those sanctions, up to and including expulsion or termination of employment and referral for prosecution, for violations of the standards of conduct required by paragraph (a)(1) of this section. For the purpose of this section, a disciplinary sanction may include the completion of an appropriate rehabilitation program.
- (b) A biennial review by the IHE of its program to—
 - (1) Determine its effectiveness and implement changes to the program if they are needed, and
 - (2) Ensure that the disciplinary sanctions described in paragraph (a)(5) of this section are consistently enforced. *34 C.F.R. § 86.100*

Noncompliance Summary: At the time of the review, the following areas of noncompliance were identified:

- NWBS did not establish a drug prevention program to prevent the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on school premises or as any part of its activities.
- NWBS did not annually distribute in writing to each employee, and to each student who is taking one or more classes for any type of academic credit except

for continuing education units, regardless of the length of the student's program of study.

- NWBS did not have a written policy for standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on its property or as part of any of its activities.
- NWBS did not have a written policy that it will impose disciplinary sanctions on students and employees, and a description of those sanctions, up to and including expulsion or termination of employment and referral for prosecution.
- NWBS did not have a written policy for conducting a Biennial Review of its drug and alcohol prevention programs.
- NWBS did not conduct a Biennial Review to measure the effectiveness of its drug and alcohol programs.
- NWBS did not have a written policy to ensure consistency in its enforcement of disciplinary sanctions.

Required Action Summary: NWBS was required to establish a drug and alcohol prevention program to ensure that it is in compliance with all federal regulations. The institution was also required to develop the appropriate written policies. A copy of the new drug and alcohol prevention program, new written policies, as well as a copy of NWBS's new Biennial Review Document was required to be provided with the institution's response to this program review report.

NWBS's Response: NWBS submitted its response to the program review report on July 30, 2013. In its response, NWBS concurred with the finding and submitted its initial Drug and Alcohol Prevention Program (DAAPP) materials and a copy of its new policies and procedures. In addition, the institution submitted its initial DAAPP program disclosure and attested that these program materials were distributed to "all employees and currently enrolled students" on October 1, 2012. Finally, NWBS provided documentation that indicated that an initial rudimentary biennial review was conducted.

Final Determination: Finding #6 of the program review report cited NWBS for multiple violations of the *Drug Free Schools and Communities Act (DFSCA)* and Part 86 of the Department's General Administrative Regulations. Specifically, the institution failed to develop and implement a substantive DAAPP and also failed to produce a DAAPP disclosure that summarized the plan. As a consequence, NWBS also violated the requirement to actively distribute program materials to all employees and all enrolled students. Finally, the Department found that the institution had persistently failed to conduct biennial reviews. This final component of the violation necessarily followed from the other noted exceptions because the biennial review is primarily a study of the DAAPP's effectiveness. Therefore, an institution cannot conduct a proper biennial review until it has a fully-functional DAAPP in place and educates students and employees about it. As a result of these violations, NWBS was required to develop and

implement a DAAPP in the manner prescribed by Federal regulations and to otherwise take all necessary action to address the deficiencies identified during the program review.

In its response, NWBS concurred with the finding, stated that corrective action was taken, and submitted documentation in support of its claims. The Department carefully examined NWBS's narrative response and supporting documentation. The review team's examination showed that the identified violations were, for the most part, satisfactorily addressed by the institution's response. Based on that review and NWBS's admission of noncompliance, the violations identified in the finding are sustained. The Department also determined that NWBS's remedial action plan meets minimum requirements. For these reasons, the Department has accepted the response and considers this finding to be closed for purposes of this program review. Nevertheless, the officials and directors of NWBS must take all necessary action to address the deficiencies and weaknesses identified by the Department, as well as those that were detected during the preparation of the response to the Department's report and as may otherwise be needed to ensure that these violations do not recur.

Although this program review finding is now closed, NWBS is reminded that the exceptions identified above constitute very serious and persistent violations of the *DFSCA* that by their nature cannot be cured. There is no way to truly "correct" a violation of this type once it occurs. NWBS was instructed to develop a compliant drug and alcohol program and by doing so, has finally begun to address the conditions that led to these violations. NWBS has stated that it has brought its programming and operations into compliance with the *DFSCA* as required by its Program Participation Agreement (PPA).

While this is an important first step, NWBS officials must understand that compliance with the *DFSCA* and the *Clergy Act* are essential to maintaining a safe and healthy learning environment, especially in light of the fact that more than 90% of all violent campus crimes involve the use of abuse of drugs and/or alcohol. The compliance failures documented by the Department deprived students and employees of important information regarding the educational, financial, health, and legal consequences of alcohol abuse and illicit drug use. The failure to conduct biennial reviews also deprived the institution of important information about the effectiveness of any drug and alcohol programs that were in place during the review period. For these reasons, NWBS is advised that its remedial actions cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective actions as a result.

Because of the serious consequences of such violations, the Department strongly recommends that NWBS re-examine its drug and alcohol and general Title IV policies, procedures, and programs on at least an annual basis and revise them as needed to ensure that they continue to reflect current institutional policy and are in full compliance with Federal regulations. To that end, NWBS is reminded that it must take specific steps to

document its efforts to comply with the Department's consumer information distribution requirements including those that apply to the annual DAAPP disclosure. Moreover, the institution is reminded of its obligation to conduct comprehensive biennial reviews and to prepare substantive reports of findings and recommendations going forward. The Department understands that a more substantive review was not possible given the amount of work that had to be done in the relatively short timeframe allotted for the institution to file its response; however, NWBS is advised that its next report must contain substantially more information about the actual conduct of the review. Moreover, the findings and recommendations must be supported by valid evidentiary data. The regulations governing the *DFSCA* can be found at *34 C.F.R. Part 86*. Please be advised that the Department may request information on a periodic basis to test the effectiveness of NWBS's new DAAPP policies and procedures.

Finding 10. Crime Awareness Requirements Not Met

Citation Summary: An institution must prepare an annual security report that provides information regarding the institution's campus security policies and crime statistics.

Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) and *34 C.F.R. § 668.46(b)*.

The annual security report must contain a statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs. The statement must include—

- (i) A description of educational programs to promote the awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses;
- (ii) Procedures students should follow if a sex offense occurs, including procedures concerning who should be contacted, the importance of preserving evidence for the proof of a criminal offense, and to whom the alleged offense should be reported;
- (iii) Information on a student's option to notify appropriate law enforcement authorities, including on-campus and local police, and a statement that institutional personnel will assist the student in notifying these authorities, if the student requests the assistance of these personnel;
- (iv) Notification to students of existing on- and off-campus counseling, mental health, or other student services for victims of sex offenses;
- (v) Notification to students that the institution will change a victim's academic and living situations after an alleged sex offense and of the options for those changes, if those changes are requested by the victim and are reasonably available;
- (vi) Procedures for campus disciplinary action in cases of an alleged sex offense, including a clear statement that—

- (A) The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and
- (B) Both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense. Compliance with this paragraph does not constitute a violation of the *Family Educational Rights and Privacy Act (20 U.S.C. 1232g)*. For the purpose of this paragraph, the outcome of a disciplinary proceeding means only the institution's final determination with respect to the alleged sex offense and any sanction that is imposed against the accused; and
- (vii) Sanctions the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses. *34 C.F.R. § 668.46(b)(11)*.

An institution must report statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of the following that are reported to local police agencies or to a campus security authority and the crimes must be classified under the following categories:

- (i) Criminal Homicide:
 - (A) Murder and non-negligent manslaughter
 - (B) Negligent manslaughter
- (ii) Sex offenses:
 - (A) Forcible sex offenses
 - (B) Non-forcible sex offenses
- (iii) Robbery
- (iv) Aggravated Assault
- (v) Burglary
- (vi) Motor Vehicle Theft
- (vii) Arson
- (viii) (A) Arrests for Liquor Law Violations, Drug Law Violations, and Illegal Weapon Possession
- (B) Persons who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession. *34 C.F.R. § 668.46(c)(1)*.

An institution must report, by category of prejudice, crimes reported to local police agencies or to a campus security authority that manifest evidence that the victim was intentionally selected because of the victim's actual or perceived race, gender, religion, sexual orientation, ethnicity, or disability; any crime it reports pursuant to paragraph (c)(1)(i) through (vii) of this section; the crimes of larceny-theft, simple assault, intimidation, and destruction/damage/vandalism of property; any other crime involving bodily injury. *34 C.F.R. § 668.46(c)(3)*.

In addition to statistical reporting that must be made available as part of the institution's annual security report, the statistical information must also be submitted electronically to the Department for inclusion in the Department's Campus Crime and Security Web Site. The electronic submission of each year's updated information to the Department must be provided within timeframes specified by the Department. *34 C.F.R. § 668.41(e)(5)*.

Noncompliance Summary: At the time of the review, the information NWBS published in its annual security report (ASR) to students and staff only included one year of statistics, not the required 3 years of statistics. In addition, NWBS failed to include all required statements with its annual security report. Specifically, the following areas of noncompliance were identified:

- A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus;
- A written statement about its standards of conduct that prohibits the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees;
- A written description of legal sanctions imposed under local, State, or Federal law for unlawful possession or distribution of illicit drugs and alcohol;
- A description of health risks associated with the use of illicit drugs and the abuse of alcohol;
- A disclosure on written request to alleged victim of any violent crime or non-forcible sex offense (or to the victim's next of kin, if victim is deceased) the results of any disciplinary hearing conducted by the institution against the alleged perpetrator of the crime/offense;
- A description of educational programs to promote the awareness of rape, acquaintance rape, or other forcible and non-forcible sex offenses;
- Procedures students should follow if a sex offense occurs, including procedures concerning who should be contacted, the importance of preserving evidence for the proof of a criminal offense, and to whom the alleged offense should be reported;
- Information on a student's option to notify appropriate law enforcement authorities, including on-campus and local police, and a statement that institutional personnel will assist the student in notifying these authorities, if the student requests the assistance of these personnel;
- Notification to students of existing on- and off-campus counseling, mental health, or other student services for victims of sex offenses;
- Procedures for campus disciplinary action in cases of an alleged sex offense, including a clear statement that:
 - The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and
 - Both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense; and

- Sanctions the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses;
- A statement advising the campus community where law enforcement agency information provided by a State under *section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. § 14071 (j))*, concerning registered sex offender information may be obtained; and
- A statement of policy regarding its emergency response and evacuation procedures in the annual campus safety report.

Required Action Summary: NWBS was required to revise its campus security policies and annual security report to ensure all the required information was included, and submit a copy of the revised information in response to the report.

NWBS's Response: NWBS submitted its response to the program review report on July 30, 2013. In its response, NWBS concurred with the finding and submitted a revised 2012 ASR. In addition, the institution submitted a copy of its new *Clery Act* compliance plan and campus safety policies and procedures. NWBS also attested that the 2012 ASR was distributed to "all employees and currently enrolled students" on October 1, 2012.

Final Determination: NWBS was cited for multiple violations of the *Clery Act*. Specifically, the institution's 2011 ASR only included campus crime statistics for one year instead of the three most-recent calendar years, as required. The Department has determined that NWBS's 2011 ASR omitted all the required policy statements listed in the Non-Compliance section above. As a result of these violations, NWBS was required to develop and implement policies and procedures to guide the preparation, publication, and distribution of an accurate and complete 2012 ASR that met the requirements of 34 C.F.R. §668.46(b). In its response, NWBS concurred with the finding and submitted documentation that indicated that remedial action was taken.

The Department carefully examined NWBS's narrative response and supporting documentation. The review team's examination showed that the identified violations were, for the most part, satisfactorily addressed by the institution's response and the 2012 ASR. Based on that review and NWBS's admission of noncompliance, the violations identified in the finding are sustained. The Department has also determined that NWBS's corrective action plan meets minimum requirements. For these reasons, the Department has accepted NWBS's response and considers this finding to be closed for the purposes of this program review. Nevertheless, the officials and directors of NWBS must continue to develop the institution's campus safety program and also must take any additional action that may be necessary to fully address the deficiencies and weaknesses identified by the Department as well as any such deficiencies that were detected during the preparation of the institution's response to the Department's report and as may otherwise be needed to ensure that these violations do not recur.

To that end, NWBS is reminded that it must take specific steps to document its compliance with the Department's consumer information distribution requirements including those that apply to the ASR. Moreover, NWBS must provide the following documentation so that the Department can further evaluate the institution's recent efforts to comply:

- 1) A copy of the 2013 ASR with proof of active distribution to all required recipients and
- 2) A copy of the 2014 ASR with proof of active distribution to all required recipients; and,
- 3) A certification statement attesting to the fact that the 2013, and/or 2014 ASRs (if true) were distributed in accordance with the *Clery Act*. This certification must also affirm that the institution understands its *Clery Act* obligations and that it has taken all necessary corrective actions to ensure that these violations do not recur.

NWBS's response to item #1 must be submitted via electronic mail to Mr. Michael G. Williams at and to the Department's Clery Act Compliance Division (CACD) at clery@ed.gov within 15 days of the receipt of this FPRD. Responses to #2 and 3 must be submitted via electronic mail to Mr. Williams and the CACD **no later than January 15, 2015**.

NWBS's submission must reference the Program Review Control Number (PRCN) noted on the cover letter of this report in the subject line of its e-mail message. If any of the requested records were not produced or do not exist, NWBS officials must clearly communicate that fact to the Department in writing via electronic mail. In this context, institution officials are advised that no new documents are to be created at this time for the purpose of demonstrating compliance with the ASR requirement for past periods. NWBS is also advised that any failure to respond to the supplemental request for document production will result in a referral for the imposition of administrative actions in addition to any such referral that may be made to address the original violations identified in Finding #10 of the program review report.

Although the finding is now closed, NWBS is reminded that the exceptions identified above constitute serious violations of the *Clery Act* that by their nature cannot be cured. NWBS was required to initiate corrective actions and in so doing, has begun to remediate the conditions that led to these violations. The institution has stated that it has brought its overall campus security program into compliance with the *Clery Act* as required by its PPA. Nevertheless, NWBS officials must understand that persistent compliance failures of the type documented in this case deprives students and employees of important campus security information to which they were entitled. For these reasons, the institution is advised that such corrective measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective measures.

Because of the serious consequences of such violations, the Department strongly recommends that NWBS officials re-examine its campus safety and general Title IV policies and procedures on an annual basis to ensure that they continue to reflect current institutional practices and are compliant with Federal requirements. For example, NWBS is reminded that it must take specific steps to document its efforts to comply with the Department's consumer information distribution requirements including those that apply to the ASR. NWBS officials are also encouraged to consult the Department's "Handbook for Campus Safety and Security Reporting" (2011) as a reference guide on *Clery Act* compliance. The Handbook is online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The Department also provides a number of other *Clery Act* training resources. The institution can access these materials at: www2.ed.gov/admins/lead/safety/campus.html. The regulations governing the *Clery Act* can be found at 34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49.

D. Appendices

- Appendix A: Student Sample
- Appendix B: NWBS Program Review Report
- Appendix C: NWBS Responses to Program Review Report

Prepared for

Northwest Beauty School



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OPE ID: 04045300

PRCN: 201240627989

Prepared by

U.S. Department of Education

Federal Student Aid

Dallas School Participation Division

Program Review Report

September 4, 2012

Federal Student

U.S. DEPARTMENT OF EDUCATION

2012-2013

2012-2013

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A. Institutional Information

Northwest Beauty School
6770 Antoine Dr.
Houston, TX 77091

Type: Proprietary

Highest Level of Offering: Non Degree, 1 year

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 92

% of Students Receiving Title IV: 85%

Title IV Participation (PEPS Funding): 2010-2011

Federal Pell Grant Program \$ 329,477

Federal Direct Loan (DL) Program \$ 353,855

Default Rate DL: 2009 - 0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Northwest Beauty School (NWBS) from June 18, 2012, to June 22, 2012. The review was conducted by Mr. Michael G. Williams and Miss Alicia Harris.

The focus of the review was to determine NWBS's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of NWBS policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2010-2011 and 2011-2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning NWBS's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve NWBS of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by NWBS to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Return of Title IV (R2T4) Policy Inadequate

Citation: Institutions are required to have a Return of Title IV Funds (R2T4) policy that clearly outlines the requirements for the treatment of Title IV, HEA funds when a student withdraws. The policy must identify the process for officially withdrawing from the school as well as a summary of the requirements for returning funds, including but not limited to, the effects of withdrawing, post-withdrawal disbursement information, how

the institution will determine the withdrawal date for students who unofficially withdraw, and the timeframe and order for the return of funds. *34 C.F.R. §§ 668.16(h) and 668.22*

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. *34 C.F.R. § 668.22(a)*

Noncompliance: The R2T4 policy provided to students is incomplete. Specifically, NWBS's policy does not include the following:

- A timeframe in which Title IV, HEA program funds must be returned;
- An estimate of the amount of aid earned or that may need to be returned; and
- A statement that federal funds may not cover all unpaid institutional charges due to the institution upon a student's withdrawal.

Required Action: The institution is required to develop and submit with its response a R2T4 policy that satisfactorily addresses the required components cited above.

Finding 2. Return to Title IV (R2T4) Calculation Errors

Citation: Federal regulations require that an institution determine the amount of Title IV, HEA assistance a student has earned as of his or her withdrawal date from the institution. If the amount of Title IV, HEA assistance the student has earned is less than the amount disbursed to that student, the difference between these amounts must be returned to the Title IV, HEA programs. The treatment of Title IV, HEA funds may be determined on either a payment period basis or a period of enrollment basis for a student enrolled in a non-term educational program. *34 C.F.R. § 668.22*

Noncompliance: NWBS failed to accurately calculate the R2T4 for Student #6 and #11 who both withdrew from the institution. NWBS used the incorrect number of hours scheduled to be completed for both students on the R2T4 worksheets. In addition, the institution calculated one R2T4 using period of enrollment and calculated the other using the payment period even though both students began attendance during the same time period.

Specifically, the R2T4 worksheet for Student #6 listed the number of hours scheduled to be completed as 1,275. The number of scheduled hours was not documented in the student's file. The total hours in the period of enrollment, upon which the calculation was based, was listed as 900.

For Student #11, the R2T4 worksheet listed the number of hours scheduled to complete as 766. The number of scheduled hours was not documented in the student's file. In addition, the worksheet indicated that the calculation was completed on the payment

period, which is defined by the school as 450 hours, but the return was calculated using 900 hours in the payment period.

Required Action: NWBS must provide a policy describing whether R2T4 calculations will be completed using the payment period or enrollment period and indicate the date on which the policy was or will become effective. Please note that an institution has the right to change the period on which calculations will be completed for groups of students with similar start dates, but that change must be documented in writing and dated in order to establish an adequate audit trail.

In addition, NWBS must submit corrected R2T4 worksheets for Students #6 and #11, using either payment period or period of enrollment for both, and provide documentation of the number of hours each student was scheduled to complete at the time of withdrawal.

If the corrections result in a liability, repayment instructions will be provided in the Final Program Review Determination letter.

Finding 3. Student Credit Balances

Citation: Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period, or not later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. *34 C.F.R. § 668.164(e)*

An institution must identify the amount of funds the institution holds for each student or parent in a subsidiary ledger account designated for that purpose. *34 C.F.R. § 668.165(b)(5)(i)*

An institution may hold credit balances if it obtains a written authorization from the student (or parent, in the case of a PLUS loan). *34 C.F.R. § 668.165(b)*

Noncompliance: It appears NWBS did not pay a credit balance within the required timeframe for Student #9. DL Subsidized and Unsubsidized loan funds were disbursed on 5/6/11; however, the funds were never posted to the student's ledger card. It appears that if the funds would have been posted, a \$2,737.00 credit balance would have resulted. An authorization to retain credit balance funds was not in the student's file.

Additionally, the authorization form to retain credit balances provided to students did not give the students the option to cancel or modify the authorization.

Required Action: NWBS must update Student #9's ledger card to include all Title IV funds disbursed as well as the date the credit balance funds were paid.

Also, NWBS must submit a policy describing how students will be notified of their right to implement an authorization to retain credit balance funds. Additionally, the credit balance authorization form must be revised to allow students the option to cancel or modify the authorization at any time.

Please submit both the updated policy and the revised ledger in response to this report.

Finding 4. Inaccurate Recordkeeping

Citation: The records that an institution must maintain include but are not limited to: the Institutional Student Information Record (ISIR) used to determine eligibility for Title IV, HEA program funds; application data submitted by the institution on behalf of the student or parent; documentation of each student's or parent borrower's eligibility for Title IV, HEA program funds; and documentation relating to each student's or parent borrower's receipt of Title IV, HEA program funds. *34 C.F.R. § 668.24*

Noncompliance: NWBS did not include student loan disbursement information on the student account ledger cards for Student #'s 1, 2, 4, 5, 11, 14, 18, 20, 21 and 22 for award years 2010-11 and 2011-12.

For example, the student account ledger card for Student #1 did not include any Federal Direct Loan disbursements. However, the information obtained from Common Origination & Disbursement (COD) indicates that the student received \$3,000 in Federal Direct Loan funds on April 6, 2011.

Required Action: NWBS must update the student ledger cards for each student cited in this finding, as well as all currently enrolled students, to accurately reflect all Federal Direct Loan funds disbursed.

Also, NWBS must develop a policy describing how Title IV, HEA program disbursements will be accurately recorded on student ledger cards. Please submit a copy of the policy, as well as all updated ledger cards, with the response to this program review report.

Finding 5. Exit Counseling Deficiencies

Citation: An institution must ensure that exit counseling is conducted with each Direct Loan (DL) borrower shortly before the student borrower ceases at least half-time enrollment at the institution either in person, by audiovisual presentation, or by interactive electronic means. If a student borrower withdraws without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution

must ensure that exit counseling is provided through either electronic means or by mailing written counseling materials to the student borrower's last known address within 30 days of learning that the student failed to complete the required exit counseling. *34 C.F.R. § 685.304(b)*

Noncompliance: NWBS failed to provide documentation of exit counseling for Student #'s 4, 6, 10, 15, 17, and 25.

Required Action: NWBS must review the files of all the students who received Direct Loan funds and graduated or withdrew during the 2010-2011 and 2011-2012 award years to ensure that exit counseling was conducted. For any student who did not receive the required exit counseling, NWBS must mail exit counseling information to the student and submit proof that the exit loan counseling information was mailed.

Also, NWBS must develop a policy to ensure that exit loan counseling is completed for all student borrowers who graduate or withdraw. Please submit a copy of the policy with the response to this program review report.

Finding 6. Drug Prevention Requirement Not Met

Citation: As a condition of receiving funds or any other form of financial assistance under any Federal program, an institution of higher education (IHE) must certify that it has adopted and implemented a drug prevention program. *34 C.F.R. §§ 86.3(a) and 86.100(a)(1)-(5)*

Noncompliance: NWBS could not provide documentation that it had complied fully with the requirements regarding the implementation of a drug and alcohol prevention program. Specifically, NWBS could not document the following:

1. A written description of legal sanctions imposed under local, State, or Federal law for unlawful possession or distribution of illicit drugs and alcohol.
2. A description of any drug or alcohol counseling treatment, or rehabilitation or re-entry programs that are available to students and employees.
3. A copy of the Biennial Review Document.
4. How the institution measures the effectiveness of its drug prevention program and any needed implementation changes.
5. The responsible person for conducting the biennial review and the signature authority on the review.

Required Action: NWBS must develop and submit a copy of policies and procedures that outline the process the institution will use to implement the required drug and alcohol prevention program that meets the requirements outlined in the federal regulations. Please ensure that the policy addresses the missing components listed above.

Finding 7. Consumer Information Requirement Not met

Citation: An institution is required to disclose consumer information to current and prospective students and employees. *34 C.F.R. §§ 668.41 through 668.49*

Institutions that receive federal aid are required to:

- Provide information on the diversity of the student body including the percentage of enrolled, full-time students who are male, female, self-identified members of a major racial or ethnic group, and Federal Pell Grant recipients. HEOA Section 488(a)(1)(E) amended HEA Section 485(a)(1).
- Include a Net-Price Calculator on the institution's website using the Department's template or a customized version that includes at a minimum the same elements as the Department's version. HEOA Section 111 amended HEA Title I, Part C and HEA 132.

Noncompliance: NWBS could not provide documentation that all of the required consumer information is provided to students, such as:

- A Net-Price Calculator;
- Institutional policies and sanctions regarding copyright infringement, including a statement that unauthorized distribution of copyrighted materials, such as peer-to-peer file sharing, may subject the students to civil and criminal liabilities; a summary of the penalties for violation of Federal copyright laws; and a description of the disciplinary actions taken against students engaging in unauthorized peer-to-peer file sharing using the institution's information technology system; and
- Information on the diversity of the student body.

Additionally, NWBS does not have a website and; therefore, cannot provide certain required consumer information to students.

Required Action: NWBS must distribute to all current and prospective students the required consumer information that includes the information cited above. Please submit a copy of the information being provided to students in response to the program review report.

In addition, NWBS must create a website which contains the required consumer information and include a link with the response to the program review report.

Finding 8. Bank Account – Federal Funds Not Identified

Citation: Institutions are required to maintain at least one bank account into which the Department transfers, or the institution deposits, Title IV, HEA program funds. For each bank account that contains Title IV, HEA program funds, an institution must identify that federal funds are maintained in the account by:

- Including the phrase “*federal funds*” in the name of the account; or
- Notifying the bank or investment company that the account contains Title IV, HEA program funds and, except for a public institution, filing a Uniform Commercial Code (UCC-1) statement with the appropriate state or municipal government that discloses that an account contains federal funds.

The institution must keep a copy of any notice to banks or investment companies as well as any UCC-1 in its records. *34 C.F.R. § 668.163*

Noncompliance: NWBS did not properly identify the bank account into which it deposits Federal Direct Loan program funds. The bank statements from Wells Fargo display the account name as William E Brooks, DBA Northwest Beauty School, Student Living Expense. During the program review, NWBS could not provide a letter indicating that the bank was officially notified that the account contains Title IV, HEA program funds.

Required Action: NWBS must correct the name of the bank account at Wells Fargo to include the phrase “federal funds”. NWBS must provide documentation of the name correction with its response to the program review report.

Finding 9. Gainful Employment Disclosures Not Met

Citation: Federal regulations outline reporting and disclosure requirements for programs that prepare students for gainful employment (GE) in a recognized occupation. Institutions must include the disclosure requirements as part of the consumer information in the promotional materials to prospective students and post the information on the institution’s Web site.

For each GE program offered by an institution, it must provide to prospective students the following:

- The occupations (by names and Standard Occupational Classification (SOC) codes) that the program prepares students to enter, along with links to the occupational profiles on O*NET. If the number of occupations related to the program is more than 10, the institution may provide Web links to a sample of the identified occupations (by name and SOC code) for which its graduates typically find employment within a few years after completing the program; if it is less than

10. the name and SOC code must be displayed on the program page of the institution's Web site for at least one occupation;

- The on-time graduation rate for students who complete the program (required if more than 10 students complete in an academic year);
- The tuition and fees charges, typical costs for books and supplies, and room and board charges (if applicable) for students who complete the program within a normal time frame. The institution may include other costs such as transportation and living expenses. It must provide a Web link or access to the program cost information that institution makes available;
- The placement rate for students completing the program if required by its accrediting agency or State to calculate a placement rate on a program or institutional basis; and
- The median loan debt (identified separately by Title IV, HEA program loans, private education loans, and institutional financing) incurred by students who complete.

The items above are not a comprehensive list and are provided only as examples. 34 C.F.R. § 668.6 contains all the requirements regarding the reporting and disclosure information for GE programs.

Noncompliance: NWBS does not provide all of the required GE disclosure information in its consumer information to prospective students. Specifically, the following disclosures are missing from the consumer information provided:

- Occupation (by name and SOC codes) that the program prepares students to enter;
- The on-time graduation rate for students who complete the program; and
- Median loan debt incurred by students who complete.

Required Action: NWBS must also review all of the required reporting and disclosure information for programs that prepare students for gainful employment in a recognized occupation as specified in 34 C.F.R. § 668.6 and update all GE Disclosure information, including the information referenced above, on the school's website, once it is created, and in the promotional material provided to students.

In addition, NWBS should continue to monitor the Gainful Employment Information Page¹ on the Department's Information for Financial Aid Professionals (IFAP) Web site for information and updates. The Gainful Employment Information Page provides resources, training opportunities, answers to frequently asked questions, reporting and disclosure information and GE updates as they become available.

The Department also notes that institutions are required to use the disclosure form issued by the Secretary, when that form is available. 34 C.F.R. § 668.6 (b)(2)(iv). The Gainful

¹ <http://www.ifap.ed.gov/GainfulEmploymentInfo/index.html>

Employment Electronic Announcement # 39 – Status of Gainful Employment Regulations, issued on July 6, 2012 indicates that the Department is currently reviewing the “disclosure template” and that further information on the template will be provided soon.

NWBS must submit documentation that the required consumer information related to GE has been provided to students and/or made available on its website in response to the program review report.

Finding 10. Crime Awareness Requirements Not Met

Citation: Institutions are required to publish and distribute, by October 1 of each year, an annual security report that contains required crime statistics, as well as required statements and policies, to its current students and employees. Institutions must also inform prospective students and employees of the report’s availability and provide a copy upon request.

The annual security report must report crime statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of the following offenses:

- Criminal homicide (murder and non-negligent manslaughter)
- Sex offenses (forcible sex offenses and non-forcible sex offenses)
- Robbery
- Aggravated assault
- Burglary
- Motor vehicle theft
- Arson
- Arrests for liquor law violations, drug law violations, and illegal weapons possession
- Persons not included in the above category who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession

The annual security report must also contain a number of statements, including, but not limited to:

- A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus. This statement must include (1) policies for making timely warning reports to members of the campus community regarding the occurrence of crimes required to be

reported in the annual security report, (2) policies for preparing the annual disclosure of crime statistics, and (3) a list of the titles of each person or organization to whom students and employees should report the criminal offenses for the purpose of making timely warning reports and the annual statistical disclosure.

- A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others.
- A description of programs designed to inform students and employees about the prevention of crimes.
- A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of student organizations officially recognized by the institution, including student organizations with off-campus housing facilities.
- A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws.
- A statement of policy regarding the possession, use, and sale of illegal drugs and enforcement of Federal and State drug laws.
- A description of any drug or alcohol-abuse education programs.
- A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs.
- A statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 14071(j)), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address.

The above statements are not comprehensive and are provided for illustrative purposes only. A complete list of required statements is provided in Appendix B. *34 C.F.R. § 668.46 (the implementing regulations of The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act or Clery Act)*

Noncompliance: Information provided in the annual security report to students and staff only includes 1 year of statistics, not the required 3 years. Also, NWBS does not have all required statements in its annual security report. Specifically, the following information is missing from the information provided:

- A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus;
- A written statement about its standards of conduct that prohibits the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees;
- A written description of legal sanctions imposed under local, State, or Federal law for unlawful possession or distribution of illicit drugs and alcohol;
- A description of health risks associated with the use of illicit drugs and the abuse of alcohol;
- A disclosure on written request to alleged victim of any violent crime or non-forcible sex offense (or to the victim's next of kin, if victim is deceased) the results of any disciplinary hearing conducted by the institution against the alleged perpetrator of the crime/offense;
- A description of educational programs to promote the awareness of rape, acquaintance rape, or other forcible and non-forcible sex offenses;
- Procedures students should follow if a sex offense occurs, including procedures concerning who should be contacted, the importance of preserving evidence for the proof of a criminal offense, and to whom the alleged offense should be reported;
- Information on a student's option to notify appropriate law enforcement authorities, including on-campus and local police, and a statement that institutional personnel will assist the student in notifying these authorities, if the student requests the assistance of these personnel;
- Notification to students of existing on- and off-campus counseling, mental health, or other student services for victims of sex offenses;
- Procedures for campus disciplinary action in cases of an alleged sex offense, including a clear statement that:
 - The accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding; and
 - Both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense; and
 - Sanctions the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses;
- A statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. § 14071 (j)), concerning registered sex offender information may be obtained; and

- A statement of policy regarding its emergency response and evacuation procedures in the annual campus safety report.

Required Action: NWBS must revise its annual security report to include all of the missing information identified above and provide a copy of the revised report to all current students and employees. The report must contain all required statements as specified in 34 C.F.R. § 668.46.

NWBS must also revise its annual security report to include all required crime statistics for the three most recent years.

To assist institutions, the Department provides guidance on complying with campus security in The Handbook for Campus Safety and Security Reporting, which can be obtained at the following website: <http://www2.ed.gov/admins/lead/safety/campus.html>.

In response to this report, NWBS must submit the revised annual security report that includes all of the required statements and policies, as well as the 3 years' of crime statistic data.

Finding 11. SAP Policy Not Adequately Developed/Monitored

Citation: Institutions are required to have a satisfactory academic progress (SAP) policy for purposes of determining student eligibility for assistance under a Title IV, HEA program. The institution must establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. The Secretary considers an institution's standards to be reasonable if the SAP policy is the same or stricter than the institution's standards for a student enrolled in the same educational program who is not receiving Title IV, HEA program assistance. The SAP policy must include the following:

- A qualitative component which consists of grades, work projects completed, or comparable factors that are measurable against a norm;
- A quantitative component that consists of a maximum timeframe in which a student must complete his or her educational program;
- Be divided into increments, not to exceed the lesser of one academic year or one-half the published length of the educational program;
- Provide for a determination at the end of each increment as to whether the student has met the qualitative and quantitative components of the standards;
- A schedule established by the institution designating the minimum percentage or amount of work that a student must successfully complete at the end of each increment to complete his or her educational program within the maximum timeframe;

- For institutions that permit a student to appeal a SAP determination, describe how the student may reestablish eligibility to receive assistance under Title IV, HEA programs and the basis on which a student may file an appeal; and
- For institutions that do not permit a student to appeal a SAP determination, describe how the student may reestablish his or her eligibility to receive assistance under the Title IV, HEA programs.

The items above are not a comprehensive list and are provided only as examples of required components. 34 C.F.R. §§ 668.16(e) and 668.34 contain all of the requirements of an adequate SAP policy.

Noncompliance: NWBS does not have all of the required components for an adequate SAP policy. Specifically, the policy states that students not achieving SAP at the end of the evaluation period will be placed on probation and will lose Title IV, HEA program eligibility. The policy indicates that a student can request a personal interview or make a written request to remain in school, but it is unclear if this is intended to be an appeal to regain Title IV eligibility or merely an option for a student to continue attendance as a self-pay student.

And even though there is no specific appeal language, the policy indicates that after an “approved appeal” the student is placed on probation and continues to have eligibility for Title IV, HEA program funds.

Finally, the policy does not describe how a student who is determined not to be making SAP can regain Title IV, HEA program eligibility.

Required Action: The institution is required to develop and submit with its response a SAP policy that addresses the SAP Appeal process and how students can reestablish eligibility to receive assistance under the Title IV, HEA programs.

D. Appendix

Appendix A (Student Sample) contains personally identifiable information and was provided to NWBS during the Exit Conference conducted on June 22, 2012.